

Three Aspects of U.S. Relations With Latin America

Address by William D. Rogers

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Governor [Reubin] Askew, Congressman [Dante B.] Fascell, Congressman [Claude D.] Pepper, Mayor [Maurice] Ferre, distinguished guests: I was delighted that you should ask me to come to Miami today to say a word or two by way of *despedida* to those of you who are setting off this afternoon on your goodwill trip to Colombia and Venezuela.

Your visit is important. You will carry the message to Latin America of the central significance of Florida and particularly of this great city to our relations with the hemisphere. You will see once again the vibrance and subtlety of these two great nations. And your being there, as leaders of this country, most significantly will symbolize once again for Latin America the importance we attach to Latin America.

I intend to touch on three aspects of that relationship. The first is Panama; the second, our economic relations; and finally, the future of the inter-American system.

First, Panama. President Lopez Michelsen of Colombia, whom you will see I gather, recently made a state visit to Washington. It was a considerable success.

At the White House banquet, in his meetings with House and Senate leadership, and elsewhere, he said, with the tact and sensitivity which is his trademark, that Panama is the one continental problem we face. He meant, by that, that the need to design a new relationship between Panama and the United States is the single issue of inter-

American relations on which all the nations of Latin America are most united.

As you know, Ambassador Ellsworth Bunker is now engaged in an effort to work out a new canal treaty with Panama. I would replace the existing treaty of 1903 which no longer corresponds to the reality of today's world; it does not accommodate the enormous changes which have occurred during the past 70 years.

We are negotiating because we are convinced that a new and more equitable treaty is essential to best protect our national interest in Panama. In essence our fundamental interest is a canal that is open, secure, neutral, and efficiently operated.

In today's world the extensive rights the United States acquired in 1903 to act as "it were the sovereign" over a strip of Panamanian territory are not only unnecessary to that fundamental national interest, but this also flies in the face of the need to maintain an open canal. The 1903 arrangement is an increasing source of conflict not only in Panama but in the entire hemisphere as you will certainly hear in both Venezuela and Colombia. In recent years Panamanian consent to our presence in the original form prescribed in the 1903 treaty has declined significantly. Failure to recognize this reality and to adjust our relationship could threaten the very interests we are seeking to preserve—the availability of the canal to the world's waterborne commerce.

The February 1974 statement of principles signed by Secretary Kissinger and Panamanian Foreign Minister Tack provided the framework for a new treaty relationship.

¹ Made before the Greater Miami Chamber of Commerce and the International Center of Greater Miami at Miami, Fla., on Dec. 4.

which we believe will restore the important precedent of Panamanian consent to our presence while giving us the treaty rights we need. In essence the principles provide that:

—Panama would grant the United States the rights, facilities, and lands necessary to continue operating and defending the canal for the treaty period;

—For its part the United States would return to Panama jurisdiction over its territory and arrange for Panamanian participation over time in canal operation and defense;

—The new treaty would provide for any expansion of canal capacity that may eventually be needed and give Panama a more equitable share of the benefits resulting from use of its geographic location.

Substantive negotiations on the major issues within the framework of these principles have been underway since June 1974. We have already reached general agreement on some issues, such as jurisdiction, the rights we shall require for operation and defense, and Panamanian participation in these functions. Some of the most difficult questions, such as duration, the lands and waters we shall require for operation and defense, and economic benefits to Panama, are still unresolved.

But we are persuaded that a new treaty embodying the concept of constructive partnership contained in these principles should provide a practical means of reconciling our national interests and assuring that the canal remains open, efficient, and secure.

As the President said on October 7 in Knoxville:²

For three Administrations—President Johnson, President Nixon, and myself—negotiations have been going on with the Government of Panama concerning that problem. If you will refresh your memory, you will recall there were serious riots in Panama, I think in 1965. Around 30 people were killed, including some Americans. Now, these negotiations are going on. I have taken the position that we will not accept

—and I would not recommend to the Senate—any proposal that interfered with the national security of the Canal, that would interfere with the operations of the Canal.

I would not, under any circumstances, do anything in the negotiations or submit a proposal to the Senate that undercut our national security.

The negotiations, he added, are going forward within these principles. The Administration is dedicated to the success of this effort. We think we can find, in those negotiations, a new treaty relationship with Panama which will indeed protect and enhance the fundamental national interests of both parties.

I think you will see no better evidence during your visit of the relevance of this venture to our relations throughout the hemisphere, and most particularly with Venezuela and Colombia. We had better succeed, for the consequences are not pleasant to contemplate.

Latin American Development Needs

Now let me turn to a second area of importance to our relations with the hemisphere—economics. Here, we have something to show for our recent efforts.

The inter-American issues of the future are largely economic issues. Political and security problems have dominated our relationships within the hemisphere in the past. Today the burning aspiration of Latin America is development. It is in terms of whether they bode well or ill for Latin America's economic growth that our own policies are now being tested.

In general, the Latin American countries are not among the "poorest of the poor" in global terms. They are the middle-class countries; they have already achieved a considerable degree of industrial development. These are nations which are fully part of the world economy. Their future economic development depends on broad relationships with the economies of industrialized countries, and they are better able to take advantage of such a relationship than those lowest on the development ladder.

Thus the development needs of Latin America are not less than those of the poorer countries. But they are different.

²For the transcript of an interview with President Ford recorded at Knoxville, Tenn., on Oct. 7 for television broadcast that evening, see Weekly Compilation of Presidential Documents dated Oct. 13, 1975, p. 1129.

They must have trade opportunities that reflect their needs and possibilities. Without exporting they cannot import.

They also need capital. Investment is the key to growth; and in many, probably most, of these countries, because they still have only a modest standard of living, domestic savings are not adequate to maintain satisfactory levels of growth.

Thirdly, they need technology. They must be able to draw on the technological advances made in the industrial countries to increase their productivity and reach higher levels of industrialization.

New U.S. Economic Policies

It is in this context that the initiatives of the recent U.N. General Assembly seventh special session take on special importance for the nations of Latin America. As Secretary Kissinger stated, many of the U.S. proposals delivered at the beginning of that session were particularly designed with the needs of Latin America in mind. The proposals, many of which were included in the final agreed resolution of the session, are largely directed at improving the functioning of the market to better serve the needs of the LDC's [less developed countries] rather than at creating new mechanisms to meet development needs. The successful implementation of these proposals will be a difficult, long-term task. I would like to review with you the progress being made on some of the major initiatives as they relate to Latin America.

One of the major concerns of the developing countries of the area has been the wide year-to-year fluctuations in export earnings, particularly for primary products. These swings in earnings have badly disrupted development plans and are doing so now. For many of the Latin American countries, the vulnerability to cyclical changes in exports was not only a matter of primary products; several have become significant exporters of manufactured goods, the demand for which is sharply affected by economic conditions in the industrialized countries. So as a result of the current world economic crisis, in part caused by the huge increase in the

cost of energy last year, many Latin American countries are now experiencing severe balance-of-payments problems.

As a partial answer to this problem, Secretary Kissinger at the special session proposed the creation of a development security facility within the International Monetary Fund. The facility would provide protection against disruption of overall export earnings for both primary and manufactured products. The Executive Directors of the IMF have this proposal, as well as a proposal for creation of a trust fund to finance grants for the poorest countries, under active consideration. We hope they can reach agreement within the next few months.

The development security facility, if established, would be a step toward ameliorating the problem of unstable export earnings from primary commodities. In addition, the Secretary also proposed that there be a producer-consumer forum for consideration of key commodities and that we move on a case-by-case basis in an effort to strengthen the market functions for both buyers and sellers. This represents a major advance in U.S. policy.

Because of the importance of the U.S. market for Latin America, the implementation of our generalized system of preferences on January 1 will also be of special significance. It will provide new export opportunities for the hemisphere.

There are other proposals made at the seventh special session which, when developed, will be valuable to the Latin American countries. A special working group of the IMF-IBRD [International Monetary Fund-International Bank for Reconstruction and Development] Development Committee is considering means of facilitating access to world capital markets by LDC's. As Latin America moves beyond large-scale concessional lending, capital market borrowings will be a major source of development funds. They could obtain special benefit from the proposed expansion of the International Finance Corporation to strengthen its support for private investment in LDC's, and the creation of an International Investment Trust which would attract capital for invest-

ment in public, private, and mixed enterprises in LDC's.

These proposals represent some of the important economic initiatives set forth, in major part in the Kissinger address of September 1 at the U.N. seventh special session. They meet some of the concern of the nations of the hemisphere.

There is no more important issue, as I have said, for our relations with the hemisphere. It is vital that we support, and cooperate with, the development aspirations of the hemisphere, as you will see in the course of your trip. So we tend to think we scored something of an important breakthrough with these new U.S. economic policies this fall.

Wide Range of OAS Activities

The same cannot be said for the third matter I would like to touch on—the Organization of American States and its character.

For the better part of the last three years, representatives of 24 American states have been trying to draft a new charter for the Organization of American States. Their goal: to modernize the organization, which is the centerpiece of the inter-American system.

The OAS, oldest surviving international organization, traces its roots back to 1890, and its history has been one of high accomplishment. In its best known role, the organization has traditionally provided a place the governments of this hemisphere can meet to consult on common problems, including some thorny ones—human rights, family planning—sometimes as an adjunct to bilateral or other multilateral fora, but more often as the prime locus for discussion.

The inter-American system began that way—as a series of conferences. In the past, these high-level meetings, now called Assemblies, have produced agreements in a number of sensitive security, political, and economic areas.

Almost 30 years ago in Rio de Janeiro, one of these meetings yielded a hemispheric mutual security pact, the Rio Treaty. Although born in response to the Nazi threat,

the treaty during the 1950's drew renewed vitality from the commonly held apprehensions of the cold war. But even today, in a world of reduced military tension, the Rio Treaty has demonstrated its staying power, perhaps attributable more now to recognition of growing power imbalances within Latin America itself than to fear of extra-territorial aggression. The member states reaffirmed their support for an updated Rio Treaty at San José this last summer.

A 1948 agreement on the peaceful settlement of disputes symbolized the commitment within the inter-American system to reduce and control strife among the member states, just as the Rio Treaty was conceived primarily as a defense against extra-hemispheric aggression. The organization's successful efforts to stop quickly the fighting in 1969 between El Salvador and Honduras show the continuing need for the OAS as a peacekeeper and its ability to act with dispatch.

But more and more, especially during the last decade, as I have said, economic problems have become the central issues of the hemisphere. A 1967 revision of the OAS Charter set down some general principles of economic relations, and it provided for some new machinery to relate to the development process. But, as we shall see, formal agreements do not guarantee success.

The OAS has also served as an umbrella for the activities of a myriad of technical organizations which bring together specialists from throughout the hemisphere. These have produced concrete benefits in, for example, telecommunications, tourism promotion, ports and harbors, and trade facilitation.

I have used these examples because they happen to be the subjects of OAS meetings going on at various places in the hemisphere at this very moment. A complete list of OAS technical activities would reveal an astounding range of subjects under consideration at the expert level. This fact is a unique feature of the organization.

Finally, the OAS carries out numerous additional projects. Specialized organizations work in the fields of health; agriculture; the problems of women, children, and Indians;

as well as social and economic development; educational, scientific, and cultural cooperation; and human rights.

The organization, in short, is big. And it does a great deal. It spends almost \$100 million a year, \$65 million of which comes from the United States. It employs 1,500 people stationed throughout the member states.

As you can see from this, a gamut of hemispheric concerns has found their way into the inter-American system. This span of involvement has created a unique heritage. Can it be sustained in a world of change?

In 1973, a mere three years after the last major modification of the charter entered into force, uneasiness over the organization's relevance to a changing world led members to agree to yet another study of the organization. Why so soon? What are the factors promoting this presumed need for frequent self-examination? And what were the results?

The OAS groups a diverse polity. It brings together 25 distinct nations. The differences among us are marked, though we share the same hemisphere and all won our independence from extracontinental overlords. Most of the members are, economically speaking, among the world's middle class, but some are truly poor. In terms of size, consider Brazil and Grenada. The four major languages mirror different cultural heritages. Alaska and Argentina are almost poles apart, in more than just geography. The diversity has been growing.

These variations have introduced a new and significant element to inter-American relations for the future. In an earlier, less complicated time, it was an unquestioned principle that all member states should aspire to liberal representative democracy. This consensus has given way to acceptance of what in the OAS has been dubbed a plurality of ideologies. At San José in July, we agreed to incorporate the principle of ideological pluralism in the Rio Treaty.

Moreover, fast-moving events in the rest of the globe during this decade have also

begun to strain the inter-American system: the emergence of a multipolar world, new economic power centers such as the oil producers, the spectacular growth of transnational enterprises, the boom of the early seventies, and the bust that we are now suffering through. These have affected traditional perceptions of international relationships in the hemisphere.

U.S. global policies during the last few years have also been noted by the Latins. Détente has changed the context of inter-American security cooperation. Many saw President Nixon's proposal for a "mature partnership" as a form of neglect anything but benign. Economically, bilateral assistance to Latin America from the United States stagnated; Colombia has just decided to phase out direct U.S. aid entirely, for example. Various congressional amendments sought to protect U.S. private ventures abroad by threatening reduction or elimination of assistance. The 10 percent surcharge imposed on all imports in 1971 applied equally to our OAS allies and struck at the "special relationship" concept we had touted. The slow-paced implementation of trade reform, at least until the Secretary's special session address, was viewed by Latins as belying our promises to give their economic interests special weight.

Issues in Charter Reform

The study to revise the structure and purpose of the OAS was begun in 1973 at Latin initiative, in the context of those world changes.

The Latins were motivated to the study in large part as a reaction to policy in the economic realm, which, as I have said, is the key to our future relationship.

The United States looms large in the economic life of Latin America—so large in fact that it is not surprising that the special committee created by the 1973 mandate concentrated on curbing specific U.S. actions which they regard as interfering with their own ability to cope with foreign economic forces.

One of these efforts became known by the

the phrase "collective economic security." Peru took the lead in urging that collective economic security be written into the OAS Charter. It advanced the theory that when a state takes measures which have negative effects on another's economy, it may commit a form of aggression. A tribunal of other states should sit in judgment. If a majority agrees that an offense has occurred, the tribunal should assess damages.

A draft treaty placed before the study committee made clear this potential equation of economic policy with military aggression. The drafters had in mind such examples as our 10 percent surcharge and Congress' requirement that we cut assistance in cases of uncompensated confiscation of U.S. property or fishing vessels. We of course do not believe that these actions can be labeled aggression. We could hardly agree, therefore, to create a court and a judge and jury to try us for actions which we consider to be sovereign acts to defend legitimate U.S. interests.

Another charter-reform sticking point relates to the conduct of transnational enterprises. The issue here is Latin America's venerable Calvo doctrine. This juridical notion holds that foreign investors may have no recourse to their own governments in disputes over expropriation. The decisions of host country courts are final. We of course recognize that local law obtains; but we believe that international obligations, including the responsibility of a state to protect its citizens, must be taken into account.

But, more importantly, we do not believe that these contentious issues of principle and doctrine, as important as they are, can be injected into the OAS Charter in the absence of any agreement between ourselves and the Latin Americans regarding their validity.

On the other hand, we do believe that a modernized inter-American system can continue to play a significant and creative role in inter-American relations even in the absence of agreement on the concepts of international law relating to certain economic issues. This is so in terms of peacekeeping

of support for the development efforts of Latin America.

And it is so in the area of human rights, where, we are persuaded, the organization can make a major contribution. The standards of human rights are international standards, laid down in the Inter-American Declaration of the Rights and Duties of Man; and it is particularly appropriate, therefore, that the determination whether countries are abiding by those standards be in the first instance through international machinery.

In short, we find that the charter-reform effort to date, which has cost several million dollars, has raised more questions than it has answered about the extent to which we can agree on the nature and type of cooperative relationship we want within the inter-American system. The final draft which has emerged from the OAS labors of the last three years does little to advance the common vision of an OAS which is an effective instrument of regional cooperation. As the Mexican Representative has said in recent days, the organization faces its "moment of truth."

The United States therefore proposed late last week that we drop the new OAS Charter draft and begin over again. This time, we should embrace the objective of making the OAS capable of responding to the hemisphere's aspirations for the future, within the limits of those goals and objectives upon which we and Latin America can agree.

We are now approaching other governments of the hemisphere. Our Ambassador to the OAS, William Mailliard, and Deputy U.S. Representative Robert White are in Latin America now. They will be visiting capitals throughout the hemisphere during your own trip, including both Caracas and Bogotá. I will be going to Mexico in a few hours. Our purpose will be to explore with other foreign ministries whether there exists a consensual vision of a truly effective, relevant OAS for the future.

There is no more important common effort on the inter-American agenda.

January 5, 1976

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